



ENERGY ASSURANCE DAILY

Thursday Evening, July 01, 2010

Major Developments

Update: EPA Rejects TCEQ Flexible Permit Program, Nullifying 122 Air Permits for Texas Facilities

The U.S. Environmental Protection Agency (EPA) rejected the Texas Commission on Environmental Quality's (TCEQ) flexible permit program on June 30, effectively nullifying the 122 flexible air quality permits that TCEQ had issued since the 1990s. The move affected mostly oil and chemical refineries. The EPA said the flexible permit program did not meet several national Clean Air requirements. Texas Governor Rick Perry said the decision would "likely curtail energy supplies and increase gasoline prices nationwide," but the EPA said it had reached out to industry, the environmental community, and TCEQ to discuss how to convert the permits without disrupting facility operations.

<http://yosemite.epa.gov/opa/admpress.nsf/0/1D91BF2747C5682B8525775200626AA6>

<http://www.chron.com/dispatch/story.mpl/metropolitan/7087940.html>

Update: Companies Restarting Oil and Gas Production as Hurricane Alex Passes in Gulf of Mexico June 30 – July 1

Hurricane Alex made landfall along the Mexican coast – in the municipality of Soto La Marina, about 110 miles south of Brownsville, Texas – at approximately 9 PM CDT on June 30, according to the National Hurricane Center. It was a Category Two Hurricane at the time of landfall, carrying maximum sustained winds of 105 miles per hour. Alex had weakened to a Tropical Storm as of early July 1. It was moving westward near the high mountains of Mexico. Companies had shut in 342,224 b/d of oil production and 877 MMcf/d of natural gas output as of July 1, the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) said in a release. That represented about 21.39 percent of the Gulf's oil production and approximately 13.7 percent of its natural gas output, but marked a decline from the 421,350 b/d of oil production and 919 MMcf/d of natural gas output that had been shut in by June 30. Companies had evacuated personnel from 69 production platforms and six rigs, as of July 1. The 69-platform total represented just 10.88 percent of the 634 manned platforms in the Gulf of Mexico, according to BOEMRE. Individual companies and officials reported numerous impacts:

Offshore Production

- Shell evacuated 930 personnel from its Central and Western Gulf of Mexico operations, as of the afternoon of June 30. It shut in production from its Central and Western Gulf of Mexico assets (including drilling operations), and its South Texas operations. Shell was returning workers to the affected facilities, it said on July 1. It said the storm had deferred 32,000 boe/d of output. The company expected to return production to pre-storm rates in three to five days.
- ExxonMobil evacuated workers from locations expected to be in the storm's path and shut in about 10,000 b/d of liquids production and 146 MMcf/d of natural gas output, as of 4 PM Central Time, June 29.
- Chevron evacuated workers from the western Gulf of Mexico and shut in some output from its central and western operations, as of June 29.
- ConocoPhillips evacuated and shut in production from the Magnolia Platform in the Gulf of Mexico, as of early on June 30. The shutdown affected 10,000 boe/d of production net to ConocoPhillips.
- Anadarko evacuated and shut in four deepwater production facilities in the western Gulf of Mexico, as of June 30. The company began returning workers and restarting production, as of July 1. The four affected facilities were Boomvang, Nansen, Gunnison, and Red Hawk, according to Reuters. Boomvang produces 40,000 b/d of oil and 200 MMcf/d of natural gas, Nansen produces 40,000 b/d of oil and 200 MMcf/d of natural gas, Gunnison produces 40,000 b/d of oil and 200 MMcf/d of natural gas, and Red Hawk produces 120 MMcf/d of natural gas, Reuters reported.

- BP began restarting its Atlantis, Mad Dog, and Holstein platforms in the Gulf of Mexico by June 30, the company said in a Dow Jones Newswires article. The company shut output at the platforms on June 28. It resumed normal production by July 1, according to a company spokesman.
- Apache Corp. shut in 6,000 b/d of oil production and 110 MMcf/d of natural gas output, according to a company spokesman. It expected to begin restarting that output around noon, local time, on July 1, he said.
- Marathon returned workers to its Ewing Bank platform on June 30 and was resuming production, as of July 1. The platform yields about 9,700 b/d of oil and 8.2 MMcf/d of natural gas

Pipelines

- Nautilus Pipeline Company, L.L.C. declared force majeure along its 600 MMcf/d, 30-inch, 101-mile Nautilus natural gas pipeline in the Gulf of Mexico on June 28, citing production cutbacks related to the storm. The company directed shippers to reduce nominations to Elapsed Prorata Scheduled Quantity (EPSQ) on the Intraday Cycle (2/3 cuts) for Gas Day, June 28, and to zero for Gas Day, June 29, 2010. The company said on July 30 that it expected to be able to resume operations on July 1. It said a restriction of 138,000 Dth/d would be in place at the Manta Ray @ SS207 #2 receipt point. The force majeure remained in effect.
- BP reduced rates along its 500 MMcf/d, 20-inch, 115-mile natural gas pipeline in the Gulf of Mexico, Reuters reported early on July 1.

Refineries

- A power disruption caused several units to shut at Citgo's 156,000 b/d Corpus Christi, Texas refinery on June 30 – July 1, the company said in a filing with state regulators. Citgo said on June 30 that power was back, according to Reuters. Numerous units "were recovering," a company official said.
- A lightning strike led to a power disruption and knocked offline multiple units at Flint Hills Resources' 300,000 b/d Corpus Christi, Texas Refinery on June 30 - July 1, the company said in multiple filings with state regulators. The company said it had taken "prompt actions... to restore operation of the Hydrocracker and GOHT process units," according to one of the filings. The incident also forced offline a sulfur recovery unit (SRU) and multiple other units. The company said it "followed normal restart procedures for the units that were shutdown."
- Valero said "inclement weather conditions" led to flaring at its 315,000 b/d Corpus Christi, Texas refinery on June 30 – July 1, but a company spokesman said the weather had not caused any "material impact on production." In the regulatory filing, the company said the units were "returning to normal operation."

Ports and Waterways

- The Louisiana Offshore Oil Port (LOOP) stopped offloading early on June 29, according to a port spokeswoman. It aimed to restart operations by late July 1, a spokeswoman said.
- Houston ship pilots halted inbound and outbound traffic on June 30, according to the U.S. Coast Guard. Traffic was still stalled as of early on July 1, the Coast Guard said.
- Pilots halted traffic at Lake Charles, Louisiana and Corpus Christi, Texas by June 30, according to officials. Traffic resumed at the Lake Charles port in Louisiana by July 1, according to Reuters.
- Oil tanker lightering near Galveston and the Southwest Pass had been stopped, an official at freight derivatives broker Imarex said as of June 30.
- The Port of Galveston remained open as of June 30, but pilots suspended boardings at Galveston and Texas City, according to a website posting.

Sources:

National Hurricane Center: <http://www.nhc.noaa.gov/>
<http://www.nhc.noaa.gov/text/refresh/MIATCPAT1+shtml/011130.shtml>
<http://www.nhc.noaa.gov/text/refresh/MIATCUAT1+shtml/010158.shtml>
 BOEMRE: <http://www.mms.gov/ooc/press/2010/press0630.htm>
<http://www.mms.gov/ooc/press/2010/press0701.htm>

Shell:

http://www.shell.us/home/content/usa/aboutshell/media_center/storm_center/storm_updates/2010/alex/alex_update6_063010.html
http://www.shell.us/home/content/usa/aboutshell/media_center/storm_center/storm_updates/2010/alex/alex_update5_062910.html
http://www.shell.us/home/content/usa/aboutshell/media_center/storm_center/storm_updates/2010/alex/alex_update2_062710.html

DJN 13:01 July 1, 2010

ExxonMobil: http://www.exxonmobil.com/corporate/community_safety_er_storm.aspx

Chevron: <http://www.chevron.com/news/mediareources/stormupdates/>
 ConocoPhillips: <http://www.conocophillips.com/EN/newsroom/stormcenter/Pages/index.aspx>
 Anadarko: <http://www.anadarko.com/Media/Pages/MediaUpdates.aspx>
 Reuters, 11:14 July 1, 2010
 BP: <http://www.nasdaq.com/asp/stock-market-news-story.aspx?storyid=201006301553dowjonesdjonline000619&title=bp-says-it-is-restarting-production-at-three-gulf-platforms>
<http://www.reuters.com/article/idUSN29TORMFA20100701>
 Reuters, 09:35 July 1, 2010
http://www.bppipelines.com/asset_cleopatra.html
 Apache: <http://www.businessweek.com/news/2010-06-30/first-hurricane-of-season-closes-offshore-rigs-port.html>
 Reuters, 10:51 July 1, 2010
 Marathon: Reuters, 11:02 July 1, 2010
 Nautilus:
<http://www.enbridgeus.com/Reports/reportif.aspx?pl=1&rptSite=13&rpt=%2fENotices%2fNoticeEntryListPage.aspx%3fpipeline%3dnaut%23Critical&tmi=893&tmt=5>
<http://www.enbridgeus.com/Main.aspx?id=557&tmi=154&tmt=4>
 Citgo: <http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141808>
<http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141817>
<http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141811>
<http://af.reuters.com/article/energyOilNews/idAFWEN657820100630>
 Flint Hills: <http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141842>
<http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141843>
 Valero: <http://www.11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=141833>
 DJN, 12:13 July 1, 2010
 LOOP: Reuters, 09:43 July 1, 2010
<http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2010/06/30/bloomberg1376-L4U84H6VJ6RM01-47N7P6RVDUKUSJEFFAABNAIJQ1.DTL>
 Houston: <http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2010/06/30/bloomberg1376-L4U84H6VJ6RM01-47N7P6RVDUKUSJEFFAABNAIJQ1.DTL>
 Reuters, 09:58 July 1, 2010
 Lake Charles: Reuters, 20:02 June 30, 2010 and <http://www.reuters.com/article/idUSN29TORMFA20100701>
 Galveston Port: <http://www.portofgalveston.com/weather/index.shtml>

Update: Hurricane Alex to Hamper Spill Cleanup Efforts from Blown-Out Well in Gulf of Mexico July 1

Hurricane Alex was expected to again hamper skimming efforts in the Gulf of Mexico on July 1, as forecasters expected the storm to cause rough seas, U.S. Coast Guard Adm. Thad Allen said on June 30.
http://www.rigzone.com/news/article.asp?a_id=95378

Update: BP Recovers About 23,080 Barrels of Oil at Site of Blown-Out Well in Gulf of Mexico June 30

BP collected 14,875 barrels of oil, flared an additional 8,200 barrels of oil, and flared about 53.2 million cubic feet of natural gas on June 30 via the dual recovery system at the blown-out MC252 well in the Gulf of Mexico, the company said on its website. Lightning storms led to lower collection volumes on the Enterprise ship, according to BP.
<http://www.bp.com/extendedsectiongenericarticle.do?categoryId=40&contentId=7061813>

Update: United States to Accept Foreign Assistance for Gulf Oil Spill

The United States will accept 22 offers of assistance from 12 countries and international bodies, including two high speed skimmers and fire containment boom from Japan, the U.S. State Department said in a June 29 release.
<http://www.state.gov/r/pa/prs/ps/2010/06/143771.htm>

Update: 1,100-Foot "A Whale" Ship Reaches Gulf of Mexico by July 1 – "Super Skimmer" Can Gather as Much as 500,000 b/d of Contaminated Water: Government Spokeswoman

<http://www.reuters.com/article/idUSN0115087620100701>

Update: BP Did Not Discuss Possibility of Hurricane in Emergency Response Plan

<http://media.bulletinnews.com/playclip.aspx?clipid=8cce6c575ceed52&pub=energy>
<http://media.bulletinnews.com/playclip.aspx?clipid=8cce6b8c2eafa2f&pub=energy>

San Miguel Electric Coop Shuts 410 MW San Miguel Coal-Fired Power Plant in Texas June 30

The company shut the unit to fix a tube leak, it said in a filing with state regulators.

<http://www.11.tceq.state.tx.us/oce/eei/index.cfm?fuseaction=main.getDetails&target=141838>

Update: FirstEnergy's 882 MW Davis-Besse Nuclear Unit in Ohio Ramped Up to 86 Percent by July 1

The company shut the unit for refueling in late February. During the outage, it identified small cracks in 24 of 69 reactor head control rod drive mechanism nozzles. It completed modifications to those nozzles earlier this month. The Nuclear Regulatory Commission reported that on the morning of June 30 the unit was operating at 65 percent.

<http://www.firstenergycorp.com/NewsReleases/2010-06-29%20Davis-Besse%20Returning%20To%20Service.pdf>

<http://www.firstenergycorp.com/NewsReleases/2010-06-04%20DavisBesse%20Reactor%20Head%20Nozzle%20Modifications%20Com.pdf>

<http://www.firstenergycorp.com/NewsReleases/2010-06-04%20DavisBesse%20Reactor%20Head%20Nozzle%20Modifications%20Com.pdf>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

ITC Great Plains and NPPD Plan 345 kV, 225-Mile, Kansas-to-Nebraska Transmission Line

The companies plan to construct the line, or KETA project, in three phases. The first phase would stretch 89 miles from Spearville to Hays, Kansas. The second phase would run 85 miles through north-central Kansas to the Kansas-Nebraska border. The third phase would stretch 51 miles in Nebraska. ITC Great Plains will construct the first two segments and the Nebraska Public Power District (NPPD) will build the third segment. ITC Great Plains received approval from the Kansas Corporation Commission (KCC) for the first phase in July of 2009. It received siting approval from the KCC for the second phase on June 30, 2010.

<http://investor.itc-holdings.com/releasedetail.cfm?ReleaseID=484222>

AMP Breaks Ground on Planned 105 MW Hydroelectric Power Project in Ohio by June 30

American Municipal Power, Inc. (AMP) broke ground on its planned 105 MW hydroelectric power project along the Ohio River in Ohio, the company said in a June 30 release. The project, located at the Captain Anthony Meldahl Locks and Dam, is being developed in partnership with the community of Hamilton, Ohio. The City of Hamilton will own 51 percent of the plant.

<http://amppartners.org/newsroom/ground-broken-on-third-amp-hydroelectric-project/>

http://amppartners.org/pdf/news_releases/Meldahl_Ground_breaking_release.pdf

Petroleum

Update: Shell Restarts Fire-Downed Reformer at 145,000 b/d Anacortes, Washington Refinery June 30

Shell repaired and restarted a catalytic reformer at its 145,000 b/d Anacortes, Washington refinery, the company said on June 30. A June 19 fire forced offline the unit, according to Reuters.

<http://af.reuters.com/article/energyOilNews/idAFWEN653720100630>

Upset Causes Flaring at ConocoPhillips' 195,000 b/d Belle Chasse, Louisiana Refinery June 30

An upset triggered flaring as operators restarted an unnamed unit at ConocoPhillips' 195,000 b/d Belle Chasse, Louisiana refinery on June 30, according to regulatory filings. It was not clear if the incident had any impact to production.

Reuters, 07:29 July 1, 2010

Update: Apache Withdraws Force Majeure on Rig in Gulf of Mexico

Apache withdrew a force majeure on the Cecil Provine rig by July 1, a Rowan Cos Inc. executive said. The move came just days after Apache said new U.S. regulations had postponed a drilling permit.

Reuters, 12:07 July 1, 2010

Reuters, 10:05 June 25, 2010

Update: After Withdrawal of Last Possible Buyer, Shell to Convert 130,000 b/d Montreal, Canada Refinery into Terminal

The last possible buyer of Shell's 130,000 b/d Montreal, Canada refinery dropped out of the negotiations, a Shell spokesman said on June 30, and the company will now pursue plans to convert the facility into a fuel terminal. The company plans to begin closing the facility's major processing units in September 2010, according to Reuters.

<http://www.reuters.com/article/idUSN3024276020100630>

Natural Gas

AGL Resources Subsidiary Plans 12 Bcf Expansion at Existing 8 Bcf Natural Gas Storage Facility in Louisiana

AGL Resources' subsidiary Jefferson Island Storage & Hub, LLC plans to expand its existing 8 Bcf natural gas storage facility in Iberia Parish, Louisiana by 12 Bcf, the company said on June 30. Pending state approval, the company expects to open two new caverns within five years. The facility already has two storage caverns.

http://www.aglresources.com/pressroom/news_details.aspx?releaseID=1443293&earn=1

Update: Natural Gas Pipelines Were Unmarked Prior to Early June Explosions in Texas: Federal Official

Two natural gas pipelines were unmarked when they exploded on June 7 and June 8 in Texas, a federal official said. The two explosions, combined, killed three people and injured several others. The June 7 accident occurred when workers from a power company struck Enterprise Products Partners' 800 MMcf/d, 36-inch, 395-mile North Texas natural gas pipeline, previous company and news sources said. The June 8 incident occurred when a bulldozer struck a DCP Midstream-owned, 12-inch natural gas pipeline, according to another previous news source. Companies are required, by law, to mark utility lines prior to the start of excavation work. In the case of the June 8 incident, however, the federal official said early indications were that "the excavator had not requested a permit to work in the area."

<http://phx.corporate-ir.net/phoenix.zhtml?c=80547&p=irol-newsArticle&id=1435841&highlight=>

<http://www11.tceq.state.tx.us/oce/ee/index.cfm?fuseaction=main.getDetails&target=140722>

<http://www.businessweek.com/news/2010-06-07/enterprise-products-shuts-texas-pipeline-after-blast-kills-one.html>

<http://www.businessweek.com/news/2010-06-09/two-killed-in-second-fatal-texas-gas-pipeline-blast-in-two-days.html>

http://www.dallasnews.com/sharedcontent/dws/news/localnews/stories/DN-cleburne_01met.ART.Central.Edition1.2958b6d.html

Other News

POET to Reopen Newly-Purchased, 90 MMGal/Yr. Ethanol Plant in Indiana

POET expects to reopen its newly-purchased, 90 MMGal/Yr. ethanol plant outside of Cloverdale, Indiana in about 9 months, the company said on June 30. POET aims to install its proprietary process technology and improve the original plant design. Altra Biofuels opened and operated the facility briefly in 2008.

<http://poet.com/discovery/releases/showRelease.asp?id=226>

Energy Prices

U.S. Oil and Gas Prices			
July 1, 2010			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	72.46	75.58	68.69
NATURAL GAS Henry Hub \$/Million Btu	4.53	4.90	3.72

Source: Reuters

Ormat Technologies Plans 30 MW Geothermal Power Plant, Geothermal Well Field, and 120 Kilowatt Transmission Line as Part of Jersey Valley Project in Nevada

http://www.blm.gov/wo/st/en/info/newsroom/2010/june/NR_06_28_2010.html

BLM Plan to Ban Energy Development Leasing in Vermillion Basin, Colorado

http://www.gjsentinel.com/opinion/articles/victory_for_the_vermillion_bas/

Shell and Mercuria Plan to Construct 1.5 Million b/d of Oil Storage Capacity at Proposed Acu Port in Brazil

<http://www.businessweek.com/news/2010-07-01/llx-lures-shell-mercuria-to-40-billion-port-project-in-rio.html>

Update: Landowner Claims that Sempra Energy Incorrectly Said Court Revoked Order that Had Directed Mexican Regulators to Suspend Authorizations for Sempra's Costa Azul LNG Terminal – The Decision Only Gave Sempra Approval to Be Heard Relating to Provisional Suspension

<http://www.prnewswire.com/news-releases/sempra-energy-falsely-states-that-the-order-to-close-its-mexican-lng-unit-energia-costa-azul-is-revoked-states-landowner-97493654.html>

Turbine Shuts, Restarts at Goldsmith Gas Plant in Texas June 30

<http://www11.tceq.state.tx.us/oce/eer/index.cfm?fuseaction=main.getDetails&target=141816>

Operators Plan July 1 Restart after Thunderstorm Leads to Power Disruption at Javelin Gas Processing Facility in Texas June 30 - July 1

<http://www11.tceq.state.tx.us/oce/eer/index.cfm?fuseaction=main.getDetails&target=141819>

Corrosion to Blame for Pinhole Leak along Enterprise Products' Orla 12-Inch Natural Gas Pipeline in Texas June 30

<http://www11.tceq.state.tx.us/oce/eer/index.cfm?fuseaction=main.getDetails&target=141824>

EPA Finalizing Requirements Under National Mandatory GHG Reporting Program for Underground Coal Mines and Other Facilities – Agency Seeking Public Comment on Which Industry-Related GHG Information Should be Made Public or Kept Confidential

<http://yosemite.epa.gov/opa/admpress.nsf/e77fdd4f5afd88a3852576b3005a604f/ce3562c8face833f85257751005ee3db!OpenDocument>

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

Energy Assurance Daily provides a summary of public information concerning current energy issues. Published Monday through Friday to inform stakeholders of developments affecting energy systems, flows, and markets, it provides highlights of energy issues rather than a comprehensive coverage. *Energy Assurance Daily* is updated online Monday through Friday after 5:00 p.m. EST. For more information, visit the Infrastructure Security and Energy Restoration (ISER) website at:

<http://www.oe.netl.doe.gov/ead.aspx>

Please direct comments and questions to: ead@oe.netl.doe.gov